



## WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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### **Department of Community, Trade and Economic Development**

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## ATTORNEY GENERAL OF WASHINGTON

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September 9, 2005

Bonneville Power Administration  
Attn: Communications – DM -7  
P.O. Box 14428  
Portland, OR 97293-4428

Subject: **Open Comment Period – Decision Point 2**

Thank you for this opportunity to comment on BPA's decision regarding the Grid West and Transmission Improvements Group ("TIG") proposals to improve transmission grid management, planning, service and reliability. The undersigned Washington State agencies ("Washington Agencies") offer the following observations and recommendations to BPA. In summary:

- While information remains incomplete for both the Grid West and the TIG proposals, it is time for the region to move beyond process to make progress implementing real improvements to transmission grid management.
- To make progress BPA should draw elements from both proposals.
- BPA should lead the region by committing to near-term improvements in region-wide transmission planning and expansion, reliability management, a common platform for transmission access and scheduling (i.e., common OASIS)<sup>1</sup>, and market monitoring.

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<sup>1</sup> OASIS = Open Access Same-Time Information System

- Multi-party coordination contracts may be the most practical and prudent path to near-term improvements. BPA should set an aggressive time-table to test this approach.
- Narrowly focus any further development of Grid West on those necessary and beneficial functions that cannot be accomplished by coordination contracts or that will enhance the effectiveness of such contracts.

## **BPA Leadership is Critical**

Last year we told you that cost-effective planning, expansion, and reliable operation of the region's transmission grid is critically important for the region's grid to support an adequate and environmentally sound power supply for Washington State.<sup>2</sup>

BPA is the most important actor on our region's transmission stage. BPA's development and public management of the Federal Columbia River Transmission System ("FCRTS") is the foundation of our region's low-cost and reliable power system. Simply put, Washington's public and private utilities—and the consumers those utilities serve--must rely on the publicly owned and managed FCRTS.

The time has come for action; the region needs to move beyond discussion to real implementation of grid management improvements. Inaction is simply not a legitimate alternative. The importance of BPA's decisions regarding grid management cannot be overstated.

## **Organization of Comments**

You request answers to a list of questions regarding the Grid West and TIG proposals. We offer the following general observations and recommendations and have attached our responses to BPA's specific questions as Attachment "A."

## **Status Review: Threshold Questions**

In prior comments, we observed that the region had made substantial progress toward identifying transmission management problems and opportunities for improvement. We advanced three "threshold questions" against which to test the Grid West proposal, or any alternative:

- 1) Do the proposed changes yield benefits that outweigh the costs and risks?

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<sup>2</sup> Washington Agency comments on "BPA Decision Regarding Proposed Grid West Corporate Bylaws." submitted by letter to BPA September 7, 2004.

- 2) Is the proposal the simplest that can practically do the job with the least disruption to existing institutions, lines of authority, and lines of accountability?
- 3) Is there a broad consensus of support for a proposed solution?

Much has happened over the past year to add to what we know about the Grid West proposal; to develop TIG as an apparently viable alternative to Grid West; and to change the statutory and regulatory context for evaluating any transmission management proposal. Neither Grid West nor TIG, taken alone, offer complete, clear and affirmative answers to all three of our questions.

Although both Grid West and TIG proposals have merit, we doubt either, taken alone, is sustainable or sufficient. In addition, significant uncertainty has been introduced by the new federal Energy Act recently signed by the President. Consequently, we urge BPA to focus on flexibility and not make an irrevocable up-or-down decision between the two proposals. A flexible approach that draws on the strengths of both proposals will best serve the region. The challenge for BPA and the region is to make timely progress using the most practical and sustainable aspects of both approaches.

The information developed over the past year sheds light on how best to address this challenge. Here are the highlights of the new information, taking each of our threshold questions in turn.

**1) Do the proposed changes yield benefits that outweigh the costs and risks?**

In the case of both Grid West and TIG, preliminary estimates demonstrate that quantifiable benefits are likely to exceed quantifiable costs, but only by a thin margin.<sup>3</sup> Given the inherent imprecision of such estimates and the fact that these estimates do not capture the unquantifiable risks of “mission expansion,” failure of cost control, or failure to actually implement the proposed improvements, we conclude that while the cost and benefit data are instructive, they are not decisive for either proposal.<sup>4</sup>

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<sup>3</sup> The total cost of electricity to retail customers across the Grid West region is \$13.3 Billion, so the net benefit of \$3 Million to \$78 Million represents no more than one-half of one percent – a very small margin indeed given the inherent imprecision of the estimates.

<sup>4</sup> We also note that the estimates of quantifiable benefits are not reduced to the sub-region or state level. These region-wide estimates are necessarily broad and do not measure (or seek to measure) the net impacts on particular states or utilities. If the utilities jurisdictional to the WUTC seek approval to assign operation of their transmission facilities to a third-party (like Grid West), estimates of benefits specific to Washington and their operations will be necessary.

We note that the benefits attributed to enhanced reliability, especially in the Grid West proposal, may be reduced given new mandatory reliability requirements. However, we also recognize that your approach to benefit estimation is generally conservative. This conservative approach may have understated some difficult to quantify, but likely substantial benefits associated with such elements as more comprehensive and integrated planning and expansion.

With regard to the issue of risk, we note that growing experience across the country highlights the risk inherent in establishing “independent” grid management institutions. In our comments last year we observed that the transfer of critical electricity system functions to a new “independent entity” inevitably weakens public accountability. We reiterate those concerns here. Weakened accountability represents a substantial, albeit difficult to quantify, risk. The growing experience and problems with cost-control and scope-expansion in other regions amplifies our concern about the real and sizable risks imposed on consumers when accountability is weakened.<sup>5</sup>

We urge BPA to recognize that the cost estimates, particularly as they apply to Grid West, do not account for such risks because they assume effective cost-control and because they do not account for “mission expansion.” While TIG is likely to provide a lower level of benefits, its costs are lower and its contract-approach is more likely to control costs and avoid the risk of “mission expansion.”

**2) Is the proposal the simplest that can practically do the job with the least disruption to existing institutions, lines of authority, and lines of accountability?**

Given the TIG proposal, the answer with respect to Grid West appears to be “NO” – at least for a number of the functions Grid West proposes to perform. TIG does not include formation of a new utility. It relies instead on multi-party contracts that, for the most part, preserve existing institutions, and lines of authority and accountability.

Whether either proposal can be implemented practically is a key, but as yet unanswered question.

For Grid West, the ultimate formation and operation of the proposed new entity depends entirely on complex transmission operating agreements that will necessarily deal with topics that have proven intractable in the past, i.e., facilities inclusion,

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<sup>5</sup> The New England ISO and PJM RTO have proposed formula-based installed capacity “markets” that significantly raise consumer costs despite the broad regional objection of regulators, consumer groups, and political leaders. In the Mid-West ISO the rapidly increasing costs have caused some states and utilities to try to withdraw from MISO.

liability, exit rights, “backstop” obligations for building, and pricing.<sup>6</sup> Even if agreement can be reached on all of these issues, the current plan does not have Grid West becoming fully operational for as long as three years.

For TIG, there is as yet no assurance that a “critical mass” of utilities will commit to negotiating the multiparty contracts necessary for its “contract-based” approach to work. Practically, TIG needs to demonstrate that a broad base of utilities and key control areas are prepared to sign the proposed Memorandum of Intent by early this Fall and to move ahead aggressively to implement key elements of the proposal.

### **3) Is there a broad consensus of support for a proposed solution?**

There appears to be a broad regional consensus on a number of improvements that could be made to transmission management, including: regional transmission planning and expansion, enhancement of system reliability, “one-stop-shopping” and other improvements to transactional efficiency, and market monitoring. This “subject-matter” consensus is reflected in the fact that Grid West and TIG address many of the same issues. However, it is clear that there is not a consensus about the institutional structure to implement and oversee these solutions.

The Public Power Council has endorsed TIG. A number of parties including some investor-owned utilities as well as independent power producers strongly oppose TIG and endorse Grid West. So, while there is consensus on much of what should be done, there is no consensus for either the TIG or Grid West proposal – taken alone. We doubt whether, taken alone, either TIG or Grid West would be practically, or politically, successful.

### **Status Review: Federal Energy and Regulatory Policy**

In April, BPA, PacifiCorp, and Idaho Power petitioned the Federal Energy Regulatory Commission (“FERC”) for a declaratory order to clarify a number of hypothetical questions and issues regarding FERC’s regulatory treatment of Grid West, if it were to form. FERC issued a declaratory order in June addressing, among other subjects, FERC’s jurisdiction over BPA, its willingness to accept the proposed Grid West governance structure, and its willingness to refrain from later “tinkering” with Grid West’s scope of functions. We were not comforted by FERC’s order<sup>7</sup>, and, as we will note in our brief discussion of the new federal Energy Bill, some of the assurances FERC included in the order are now either irrelevant or moot.

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<sup>6</sup> The fact that all of these issues are as yet unresolved and difficult was confirmed at the August 5, 2005, workshop on Grid West and TIG held at the WUTC.

<sup>7</sup> FERC’s order is an “advisory opinion” based on hypothetical “facts.” A real FERC decision on a real set of facts made by this Commission or by any future Commission would not be limited by this advice.

Turning to the new federal Energy Policy Act, we submit that the regulatory context for jurisdiction, necessary transmission functions, and perhaps the pace of change in grid management has changed significantly. That said, we are far from certain what these changes imply for the status quo, Grid West, or TIG. For example:

- New mandatory reliability authorities for FERC that ultimately will be delegated through a national reliability organization to a regional reliability organization (likely WECC) in the West.
- Utilities like BPA that were formerly exempt from direct FERC transmission regulation, are now jurisdictional to the FERC. It is as yet unclear how FERC will exercise this new jurisdiction, but it is reasonable to assume that it will borrow much from its open-access policies affecting the investor-owned utilities (e.g. Order 888).
- The United States Department of Energy is directed to designate critical transmission paths and FERC is authorized, under certain conditions, to preempt local and state siting decisions, and to issue site certificates that confer the power of federal eminent domain.
- Pacific Northwest parties that hold physical transmission rights cannot be forced by anyone (FERC, Grid West, or BPA) to convert those rights to financial rights. At a minimum this makes one of the issues on the “special issues list” in the Grid West Bylaws a moot question.
- BPA is given the explicit authority to enter into contractual agreements to participate in a Regional Transmission Organization and to assign the operation of federal transmission assets through such contracts so long as BPA does not violate any of its other statutory obligations and BPA retains the right to withdraw from the contract (and the RTO) if necessary to prevent any such violations.

Our point is not to suggest that the new federal law impedes, or advantages, either Grid West or TIG. But rather that the new statutory framework significantly changes the context for evaluating both. Simply stated, the practical implications of these new statutes are as yet unclear. For example, does the new mandatory reliability structure obviate the need for this aspect of both Grid West and TIG? Are TIG and Grid West alternative ways to implement the new reliability requirements? Are there aspects of either proposal that are particularly well-suited to the new structure, or are made moot or inconsistent with it?

## **Key Issues Important to the Washington Agencies**

*The region needs to move from process to progress.*

The region has engaged for 10 years in nearly non-stop discussion of transmission system management. While those discussions have been protracted and frustrating, they have not been fruitless. As proposals have been developed and abandoned or modified an important consensus has evolved that beneficial improvements are both necessary and possible. Supported by that consensus, we urge BPA—the central player in the region’s grid—to play the central role in moving all parties toward swift and tangible progress.

As protectors of Washington’s electricity consumers, we focus on the transmission improvements that will most immediately and practically serve the public interest. We submit that the following short-list of functions should receive highest priority.

### **1) Transmission planning and expansion**

Comprehensive, region-wide transmission planning will contribute significantly to practical and efficient investments in new transmission infrastructure. The information in such plans will provide the documentation for utilities (and others) to justify transmission investments to their regulators or governmental boards and will make evident which parties are failing to take needed actions.

Both Grid West and TIG include comprehensive planning. However, we see no reason to wait for a new Grid West entity to accomplish beneficial planning and no reason to conclude that such planning can be accomplished *only* by creation of a new institution. TIG, if successfully implemented, would allow for this planning to begin in the coming year and allow the region an early opportunity to see whether the TIG-proposed process can produce agreement on projects and cost sharing. Given the region’s need for new generating resources in the next decade and enhancements to the grid in order to integrate those resources, we urge BPA to lead implementation of transmission planning as quickly as possible. TIG offers the quickest and clearest first steps toward this goal.

### **2) Reliability**

BPA has argued that grid reliability is threatened because investment is lagging, and system operation is strained due to a lack of information and a centralized authority to act on information when necessary to protect system stability.

Both Grid West and TIG address system reliability by centralizing the authority to manage operations to avoid reliability problems. Grid West's, improvements to information and operations come largely from the expected voluntary consolidation of control areas. TIG's improvements include enhancements to the Pacific Northwest Security Coordinator and the voluntary consolidation of reliability authority at one or two regional control centers to whom the utility control areas must respond.

We note above that the implications of the new federal Act for regulation of reliability in the Western Interconnection are not yet clear. Given that uncertainty and the need to make near-term progress, we think an incremental approach to reliability enhancements makes sense. Again, we see no reason to await the final formation of Grid West to make progress on this goal. We urge BPA to lead implementation of reliability enhancements as quickly as possible. In the near-term the multi-party contract approach proposed by TIG is the most promising, but only if a critical mass of control areas (I-5 corridor, for example) agree quickly to a centralized reliability authority. If that fails to materialize, particularly among critical control areas, establishment of an independent entity under Grid West may be necessary.

### **3) Transactional efficiency**

Parties wishing to have access to the transmission systems of several transmission providers now face the task of making multiple arrangements on multiple OASIS platforms. The available transmission capacity ("ATC") posted on these OASIS is not always calculated consistently and is generally based on contract-paths rather than power flows. Applications for interconnection and long-term firm service require applicants to enter multiple "study queues" and to await the completion of impact studies on multiple systems. Finally, short-term transactions across multiple systems face multiple (i.e. pancaked) transmission charges. Addressing these barriers to transactional efficiency would contribute to more efficient use of existing transmission facilities and possibly delay the need for some new investment.

Both Grid West and TIG address these issues. In Grid West, transmission providers assign the use of their transmission facilities to it and, under the oversight of the independent board, Grid West becomes the single scheduler, OASIS-operator, ATC-calculator, and tariff administrator. In TIG a multi-party contract governs the establishment of a common OASIS, a common ATC methodology, and ultimately a migration to flow-based scheduling and common tariff terms for short-term transactions. In Grid West and TIG, the OASIS is the single point of application for interconnection studies that are accomplished through the planning and expansion functions. Both proposals include the development of flow-based scheduling.



A number of Northwest transmission providers have already agreed to use a common OASIS – WestTTrans. We see no reason to slow this progress to await the full development and operation of a potential Grid West. Successful negotiation of a multi-party contract to establish a common OASIS, a common ATC calculation, a single interconnection queue, and a common tariff charge for short-term transactions would be a significant step toward improving access and efficient use of the transmission system.

It is not yet clear whether the multiparty contract approach could actually accomplish flow-based scheduling across the region. However, to make near-term progress, BPA and the region should not let the perfect be the enemy of the good. We urge BPA to lead implementation of a common regional OASIS platform using the TIG-proposed multi-party contract on an aggressive schedule.

#### **4) Market Monitoring**

The region does not now have central, bid-based markets for electricity. Such markets are unlikely in the near future. But experience teaches that even the bilateral market we have today can be subject to manipulation and dysfunction. The Pacific Northwest learned a hard lesson in 2000-01 about how much damage a “market” gone awry can do. That sorry episode is reason enough for the region to put in place a framework for market monitoring. That framework should ensure that information is collected and made accessible to the state and federal bodies with authority to act to protect consumer interests.

Both Grid West and TIG include market monitoring, but TIG’s is far more developed and detailed. We encourage BPA to support implementation of a framework for market monitoring that includes an independent monitor whose initial scope of work covers monitoring of transmission provider compliance with OATT provisions, and maintenance of a thorough database of information on price, volume and location for bilateral energy trades. If BPA and the region proceed to implement the voluntary markets proposed by Grid West or additional markets that the Grid West Board might establish, the role of the market monitor would become even more important. Consequently, a framework that provides a useful albeit limited scope of information today will position the region to enhance the role of a market monitor as needed in the future.

Both Grid West and TIG include other aspects that could contribute to enhancing reliability or system efficiency. Examples include the consolidation of control areas, the establishment of “markets” for contingency and regulation reserves within consolidated control areas, and the introduction of “reconfiguration service” to manage system congestion. Some or even all of these improvements may ultimately prove beneficial

and receive the broad support of the region. Some may require a new entity to offer and manage new services. At this point, however, we encourage BPA to focus on making progress in the four priority issues we list above. We believe that progress can best be achieved through multi-party coordination contracts.

## **Recommendations**

We recommend that BPA *not* commit exclusively to either Grid West or TIG. Both have merit and we submit that a hybrid approach that draws from both is the most prudent path for the region to achieve progress in the near-term. The benefits include:

- Focusing the region on near-term action;
- Generating potentially broader support than either proposal standing alone, and;
- Implementing incrementally to reflect the uncertain effects of the new federal Act and remaining uncertainty regarding costs and benefits.

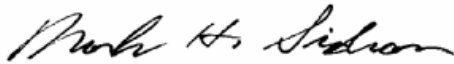
Simply put: focus first on what can be accomplished through the approach proposed by TIG, focus second on refining the scope of Grid West to address only those functions that are necessary, beneficial, and that can be accomplished only through an independent entity. Further, we strongly recommend an aggressive time-table, particularly for the implementation of the TIG-proposed multi-party contracts.

Specifically, we recommend that BPA:

- 1) Commit to leading a near-term effort to develop and implement multi-party contracts to accomplish coordinated transmission planning and expansion, reliability enhancement, common OASIS, and market monitoring;
- 2) Set an aggressive schedule for the negotiation and completion of these contracts by a sufficient number of parties to make them effective by no later than September 2006.
- 3) Focus any further development of Grid West narrowly on those problems and functions that are necessary and beneficial and that cannot be accomplished via coordination contracts or that will enhance the effectiveness of coordination contracts.

Thank you for considering our comments. Please contact Dick Byers, Washington Utilities and Transportation Commission (360-664-1209); Tony Usibelli, Washington State Department of Community Trade and Economic Development (360-956-2125); or Simon ffitich (206-389-2055), Public Counsel Section of the Washington State Attorney General's Office if you have questions.

## **WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**



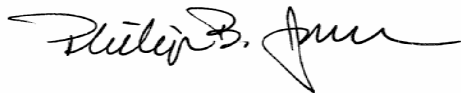
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Mark H. Sidran, Chairman



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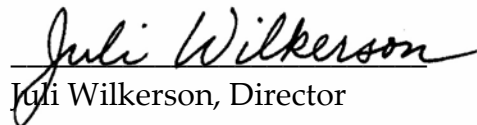
Patrick J. Oshie, Commissioner



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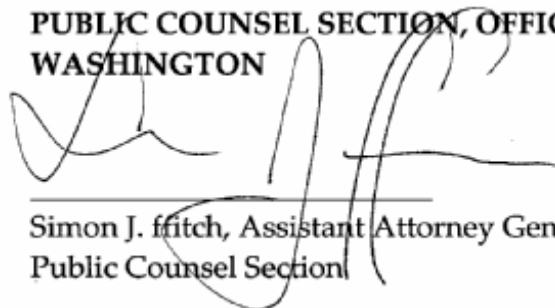
Philip B. Jones, Commissioner

## **WASHINGTON STATE DEPARTMENT OF COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT**



Juli Wilkerson, Director

## **PUBLIC COUNSEL SECTION, OFFICE OF THE ATTORNEY GENERAL OF WASHINGTON**



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Simon J. ffitich, Assistant Attorney General  
Public Counsel Section

## ATTACHMENT A

### Washington Agencies' Response to BPA's Questions

**1. Do you agree with BPA's goal of applying the "one utility" vision to the region's transmission system?**

Yes, particularly for planning and expansion. We would not agree that a "one utility" vision necessarily implies the need to create a new institution to be the one utility transmission operator. We believe that contracts among transmission-owners provide enough promise to achieve the coordination, operational efficiency, and reliability inherent in the "one utility vision" to warrant further development. We note that the region's power system has operated through coordination under the Pacific Northwest Coordination Agreement for decades.

**2. Please describe how well you think each alternative achieves the six benefits described on pages 2-3 of this letter (planning and expansion, reliability, ATC, congestion management, market monitoring, and "one stop" stopping).**

Both proposals can achieve the benefits of planning and expansion, common ATC, market monitoring, and one-stop shopping. The TIG proposal may achieve these benefits more quickly than the Grid West proposal.

The TIG proposal is much more clearly developed for market monitoring than is the Grid West proposal and will achieve whatever benefits accrue from market monitoring more quickly than Grid West.

The Grid West proposal is more likely to achieve whatever benefits might come from systematic congestion management than is the TIG proposal. The TIG proposal may capture some short-term congestion relief, but only through voluntary, broker-facilitated, bilateral, re-dispatch. It is important to note however that bilateral contracts for congestion management are playing a major role in the PJM system. Long-term bilateral contracts between market participants to avoid congestion can capture much of the savings envisioned in this region. While Grid West will provide price discovery through reconfiguration markets, fundamental information about system congestion can play a more central role in the negotiation of long-term bilateral contracts to avoid congestion. BPA has only recently begun to provide the market with useful information regarding congestion. We believe TIG may present a less costly and less risky means to the necessary price discovery by being able to provide fundamental transmission system information to the market participants so they may determine the value of congestion relief.

Both proposals allow for accomplishing reliability benefits through the voluntary consolidation of control areas, or in the case of TIG, the establishment by contract of a central reliability authority that has authority over multiple control areas. We believe the latter approach can work, but it will require the agreement of a critical core of control areas (those dominating the I-5 corridor, for example).

**3. How well do you believe the Grid West and TIG proposals meet the goal of effective decision-making that is not unduly influenced by market participants?**

Both proposals, if carefully implemented can achieve decision-making that is not inappropriately influenced by market-participants. The proposals strike different balances between the value of impartiality and the value of accountability.

Grid West strikes a balance by elevating the value of independence over the value of accountability. The “independent” board is designed to be free of commercial interests. As we have noted in comments last year and in the body of our comments this year, we are concerned that this independence is purchased by a weakening of important accountability. We are particularly concerned that the independent Board of Grid West could, under the current Grid West Bylaws, expand Grid West functions in opposition to the wishes of the region. Such has been the case in other regions with grid management organizations governed by independent boards (see the body of our comments at page 4). We are further concerned that the Grid West Board will be ineffective at cost-control since it is not ultimately accountable to those who pay the bills. Again on this count the experience of regions with independent boards is not encouraging.

TIG strikes a balance by preserving accountability at the possible expense of impartiality. TIG proposes a diffuse organizational structure that relies on voluntary coordination through contracts among the transmission providing utilities. For those functions that require impartiality to ensure that decision-making is effective and unbiased (for example, planning and expansion and market monitoring) TIG proposes that impartial panels be established to accomplish unbiased decision-making. The objective of creating these impartial panels is to avoid inappropriate influence from the utilities who are market participants. The utilities are all public service companies or public bodies that are accountable to regulators or other government officials. Whether these panels will, in practice, achieve the objective is not yet clear. This approach preserves accountability through the utilities and the governmental entities that regulate them, but it may not fully prevent influence from the market interests of the utilities. In contrast to the experience and evidence emerging regarding the unintended consequences of independence, we see no such evidence or reason to presume that the impartial panels will fail. We expect that the contracts will be transparent as will the decision-making processes. If inappropriate influence becomes a pattern it will be

apparent and will attract pressure to either refine the contracts and processes, or to reject the coordination contract approach as having proved a failure.

**4. If BPA supports the TIG proposal, are you committed to all of the elements of the TIG proposal? If not, which ones are troubling? And why?**

As Washington Agencies we are commenting on the merit of the elements of the TIG proposal. As public agencies, we will not be *contractually* committed in any formal sense. If we interpret the word “committed” as meaning “do you support,” the answer is yes. The elements of the TIG proposal all constitute improvements to grid management and operations. While it may develop that the TIG proposal is not sufficient to solve all of the region’s transmission challenges, pressing implementation of the TIG elements will both test whether the TIG structure will work and whether additional steps are needed.

**5. If the TIG proposal were to be chosen, how likely would it be that the proposal would be successfully implemented?**

We see no fundamental reason why the TIG proposal could not be successfully implemented. TIG proposes a diffuse organizational structure that depends on the success of voluntary coordination agreements. We note that the region has a long history of successful coordination accomplished through contractual commitments. Nonetheless, we believe that optimism about the prospects for TIG success deserves a practical and rigorous test. The MOI being considered by utilities will be the litmus test. The advantage of the TIG proposal is that BPA and the region can test its practicality and success on an aggressive schedule.

**6. If BPA supports Grid West, are you committed to all of the elements of the Grid West proposal? If not, which ones are troubling? And why?**

As public agencies, we would not be *contractually* committed to a private entity such as Grid West in any formal sense. Again, we interpret the word “committed” to mean “support.” In the case of Grid West we must answer “No.” In particular the proposed market and auction elements are too poorly defined to allow us to evaluate them. The ability of the independent Operational Board to expand its scope is troubling. If BPA does chose Grid West we would urge it to revisit the Board composition and powers to ensure that board members have significant Northwest utility experience and that the scope of Grid West is limited to the short-list of functions BPA believes to be beneficial (e.g. the list included in question #2) and cannot expand without an amendment to the Bylaws endorsed by a majority of the members.

**7. If the Grid West proposal were to be chosen, how likely would it be that the proposal would be successfully implemented?**

We actually think it unlikely that Grid West, as proposed, would succeed for two reasons. First it does not have the support (and has the active opposition) of the bulk of BPA's public power customers. Second, it requires the successful negotiation of transmission operating agreements that may never be acceptable to the transmission providers or to their regulators. The assignment of critically important transmission assets involves intractable issues including liability and facilities inclusion. We judge the odds to be low that utilities would reach the agreement necessary on such issues in return for the modest quantifiable benefits so far estimated for Grid West.

**8. If you are a supporter of the TIG alternative, please explain why adopting the TIG alternative will be in the collective best interests of all of BPA's customers who depend on the Northwest transmission grid and of other stakeholders who have an interest in regional transmission issues.**

We are a supporter of the region making real and rapid progress toward improvements in the management of transmission issues. We believe that the TIG proposal is the best first step to achieve that goal. The TIG proposal provides a clear and *testable* path to: a) comprehensive planning and expansion, b) enhanced reliability, c) improved transactional efficiency, d) and market monitoring. All of these improvements are in the best interest of BPA's customers and those stakeholders who rely on a robust, reliable, and cost-effective transmission grid.

**9. If you are a supporter of the Grid West alternative, please explain why adopting the Grid West alternative will be in the collective best interests of all of BPA's customers who depend on the Northwest transmission grid and of other stakeholders who have an interest in regional transmission issues.**

We have recommended that BPA refocus Grid West to address only those grid improvements that are both beneficial and necessary and that cannot be achieved through coordination contracts. We have not recommended that BPA wholly abandon the Grid West concept. If it plays out that the TIG contracts fail to achieve critical mass and BPA believes it still needs an institutional solution to its short-list of 6 issues (see question 2), BPA should refocus the Grid West design to the limited scope of functions necessary to achieve those benefits.

**10. The RRG recently completed an examination of the benefits of the Grid West proposal. Do you have additional views on the benefits of the Grid West proposal that you have not already brought to our attention?**

We note that the benefits attributed to enhanced reliability, especially in the Grid West proposal, may be reduced given new mandatory reliability requirements. However, we also recognize that you describe your estimates of benefits as generally conservative. This conservative approach may have understated some difficult to quantify, but likely substantial benefits associated with such elements as more comprehensive and integrated planning and expansion.

**11. Do you have additional views on the estimated costs of the TIG and Grid West proposals.**

We are concerned that the Grid West cost estimates do not reflect the cost risks associated with weakened accountability to those who pay the bill. In particular, we are concerned about lack of cost-control (which has plagued the independent grid operators in other regions) and the potential for expensive “mission expansion” (which also has befallen a number of the regions served by independent grid operators). The cost of the TIG proposal—while still sizable—is less likely to grow out of control. Both budget and scope of activity will be established via contract and the utilities that hold those contracts are those who pay the bill and answer to government regulators. We also believe the qualitative risk and cost of Grid West getting its implementation “wrong” and incurring economically wasteful costs due to dysfunctional and inefficient market design is far greater than the incremental design and narrower scope of TIG.

**12. What 2-3 improvements might you suggest for each alternative?**

See observations regarding Grid West in answer to question 9 above.

For TIG we recommend that BPA set an aggressive implementation schedule that sets clear and practical, near-term, implementation deadlines to ensure that the viability of the TIG proposal is tested.

**13. The Grid West and TIG alternatives seem to be quite similar. Please suggest how these alternatives may converge?**

Our recommendation is described in the body of our comments. In short, we recommend that BPA take the best from both proposals by staging implementation. Our recommendation to BPA is: focus first on what can be accomplished through the approach proposed by TIG, focus second on refining the scope of Grid West to address only those functions that are necessary, beneficial, and that can be accomplished only through an independent entity.